United Nations A/67/179

General Assembly

Distr.: General
25 July 2012

Original: English

Sixty-seventh session
Item 27 (a) of the provisional agenda*
Social development

Implementation of the outcome of the World Summit for Social Development and of the twenty-fourth special session of the General Assembly

Report of the Secretary-General

Summary

The present report is submitted in accordance with General Assembly resolution 66/125. It provides an overview of the discussion held by the Commission for Social Development during its fiftieth session on the priority theme of poverty eradication, taking into account its relationship with social integration, full employment and decent work for all. It highlights the importance of improving policy coherence and ensuring adequate financing for the effective implementation of social development commitments. The report concludes with recommendations for consideration by the Assembly.

* A/67/150.

12-43927 (E) 220812

Please recycle

I. Introduction

1. In its resolution 66/125, the General Assembly reaffirmed that the Commission for Social Development had primary responsibility for the follow-up to and review of the World Summit for Social Development and requested the Secretary-General to submit a report on implementation of the resolution to the Assembly at its sixty-seventh session.

2. The present report summarizes the discussions at the fiftieth session of the Commission for Social Development with a particular focus on the priority theme of the session, poverty eradication, taking into account its relationship with social integration, full employment and decent work for all. The first part of the report discusses policy challenges to poverty eradication and lessons learned in implementing poverty-reduction strategies and devotes particular attention to youth poverty and unemployment, which were identified by the Commission as emerging issues. It also addresses the special needs of Africa and the least developed countries, as well as progress achieved in the implementation of programmes related to social groups and social integration. The second part of the report focuses on two conditions that are necessary for further implementation of the outcome of the World Summit, namely, policy coherence and adequate financing. The report concludes with a set of recommendations for the consideration of the General Assembly.

II. Review of the substantive discussions of the Commission for Social Development at its fiftieth session

A. Poverty eradication

3. Progress in reducing extreme poverty has been uneven. While the poverty target of the Millennium Development Goals has been met at the global level, some regions and many countries are lagging behind.[1] In addition, reaching the poverty target is only one step towards the commitment to poverty eradication made at the World Summit for Social Development. At the rate of decline observed between 1990 and 2005, it would take another 88 years to eradicate extreme poverty. Furthermore, many countries that have succeeded in reducing income poverty face important challenges in other dimensions of deprivation, including access to education, food and other basic goods and services.

1. Challenges to poverty eradication

4. Growing inequalities, insufficient employment creation, low agricultural productivity and the impacts of climate change are persistent obstacles to poverty reduction. These challenges continue to be exacerbated by the weak recovery of the global economy and the financial crisis in Europe.

5. Income inequality is on the rise within and across countries. Approximately two thirds of countries with available data experienced an increase in income

[1] For a more detailed description of global and regional trends, see the report of the Secretary-General on implementation of the Second United Nations Decade for the Eradication of Poverty (2008-2017) (A/67/180).

inequality between 1990 and 2005, despite globally robust economic growth.[2] Children in poorer households and those living in rural areas are more likely to be underweight, die before their fifth birthday and be out of school than children in urban or more affluent households. Indigenous peoples and persons with disability continue to suffer disproportionately from poverty. While income inequality within countries is significant and rising, differences across countries are larger, with income disparities across countries accounting for two thirds of global income inequality. The economic and food crises, as well as ongoing challenges such as climate change that have disproportionate effects on the livelihoods of the poorest households, threaten to deepen such inequality.

6. Income inequality undermines economic growth and social stability and makes it harder for poor people to participate in economic, social and political life. Unless inequality is deliberately addressed at the national and international levels, development will continue to benefit only segments of populations, or will slow down altogether.

7. The generation of sustained employment and decent work opportunities is essential to reducing inequality, eradicating poverty and promoting sustained, inclusive and equitable economic growth. The financial and economic crises have led to a global jobs crisis, with sharp falls in employment and wages in a majority of countries. In developing countries, the proportion of workers in vulnerable employment has increased, working conditions in the informal sector have worsened and, as a result, working poverty has risen. These trends compound employment deficits that existed before the crises and emphasize the need to reconsider national and international policy frameworks so as to ensure the creation of more and better jobs, particularly for youth and other disadvantaged social groups.

8. Poverty reduction efforts have also been hampered by surging food prices and global food insecurity. Weather shocks in large grain-producing countries and in regions such as the Horn of Africa and the Sahel, coupled with speculation in agricultural commodity markets and the surge in the demand for biofuels, have contributed to the latest food crises. Historically, the number of hungry people has increased even in periods of high growth and relatively low prices, suggesting that hunger, like poverty, is the result of structural imbalances. Low investment in agriculture and distortions in the global trading system are some of the long-term causes of persistent food insecurity. Decades of declining investment in agriculture has left productivity stagnant in many developing countries, while export-oriented agriculture has reduced investment in the lower-priced crops needed to meet the nutritional needs of the growing populations in poor countries. The effects of climate change, already visible in many developing countries, further threaten agricultural productivity and food security.

9. Overall, income inequality, adverse employment conditions and lack of economic opportunities are manifestations of disempowerment that contribute to poverty. Empowering people living in poverty to participate in social, economic and political life is crucial to eradicating poverty and achieving inclusive, equitable and sustained economic growth.

---

[2] F. H. G. Ferreira and M. Ravallion, *Global Poverty and Inequality: A Review of the Evidence*, Policy Research Working Paper No. 4623 (Washington, D.C., World Bank, 2008).

2. Policy responses to poverty eradication: lessons learned

10. The recent crises have exposed the vulnerability of poor individuals and families and have emphasized the need for more effective policies to reduce poverty and inequality. Despite the diverse economic, social and political challenges faced by countries in this regard, there is broad agreement on a number of issues that, based on national experiences, require urgent and more effective action. Specifically, policies must focus on empowering people in order to eradicate poverty, by creating jobs, promoting inclusive, equitable and sustained growth and providing social protection.

11. In countries that have experienced sustained periods of growth, progress in reducing poverty has been faster where economic growth has taken place with sustained increases in decent work, gains in agricultural productivity and growth of manufacturing industries. These countries have benefited from complementary economic and social policies, with Governments promoting industrial development and investing heavily in infrastructure, social services and social protection. In many countries, however, job creation and inclusive growth are hampered by fragmented, and often inconsistent, policies both at the national and international levels. The prevailing macroeconomic policy framework, aimed at keeping inflation low and controlling fiscal deficits, has increased volatility in the labour market and resulted in longer periods of higher unemployment in times of crisis.

12. Sustained and more inclusive economic growth requires macroeconomic policies oriented towards the creation of more and better jobs. In general, countries that have fared better through economic cycles, reducing the fluctuations in output, investment and employment, have been able to implement a consistent set of countercyclical economic policies, increasing public expenditure during economic downturns.

13. Spending on labour market programmes has been higher in countries that have managed to maintain unemployment at relatively low levels since the onset of the global financial and economic crisis than in those countries where the labour market has been harder-hit. However, the move towards fiscal austerity by an increasing number of countries has resulted in the premature withdrawal of many such programmes and of social spending in general, leaving those who benefited from them just as vulnerable to future shocks.

14. Labour market programmes and policies aimed at tackling the structural lack of employment opportunities have consisted mainly of training and intermediation services. However, solutions to the current jobs crisis will not be sustainable unless these promote the creation of additional decent employment opportunities, chiefly through supportive macroeconomic policies and heavy investment in infrastructure. Confronting the jobs crisis will also require addressing the challenges faced by the informal economy, with a view to promoting long-term, productive capacity development and improving the working conditions and income security of informal workers. Likewise, more will need to be done to deal with the exclusion of selected groups, particularly youth, from the labour market.

15. The existing evidence shows that well-designed social protection programmes are an important component of policies that promote productive employment and decent work, social cohesion and, ultimately, the prevention and reduction of poverty and inequality. Social protection programmes are essential to reducing

vulnerability. In the long term, social protection can help individuals and families build human and social capital and improve their livelihood prospects, thereby addressing some of the underlying causes of poverty and unleashing the productive potential of the workforce. For countries at a given income level, higher levels of expenditure on social protection are correlated with lower poverty levels.[3]

16. Although many countries are making efforts to establish or expand social protection, as reported during the fiftieth session of the Commission, some 75 per cent of the global population are still not covered by adequate social security.

17. In most countries, however, the progressive implementation of social protection floors is affordable. Studies in Asia and Africa have shown that the initial gross annual cost of a basic social transfer package (excluding access to basic health care) lies in the range of 2.2 to 5.7 per cent of gross domestic product (GDP).[4] Individual elements appear even more affordable. The annual cost of providing universal, basic old-age and disability pensions, for example, is estimated at between 0.6 and 1.5 per cent of GDP in the countries considered. Extensive targeted and conditional cash transfer programmes like *Bolsa Familia* in Brazil can be implemented at a cost of about 0.5 per cent of GDP, while universal pension schemes like those in Namibia, Nepal and Mauritius can be financed by about 1 to 1.5 per cent of GDP.

18. Another lesson in implementing poverty reduction strategies is that greater focus on rural development and agricultural productivity is necessary to eradicate extreme poverty and hunger. Overcoming food crises requires a combination of short- and long-term actions to increase agricultural productivity and the resilience of farmers, and rural residents in general, to food price volatility. This involves enhancing access to agricultural and food markets and trade, improving infrastructure and access to social services in rural areas and establishing adequate social-protection programmes. Short-term support to food production, in particular, to boosting smallholder farmers' access to improved seeds, energy and fertilizers, has important implications for poverty reduction. In addition, the promotion of small and medium-sized enterprises in rural areas can create needed non-farm jobs, reduce poverty, improve food security and facilitate diversification from agriculture towards other rural activities.

19. Climate change and environmental degradation have a negative impact on agricultural productivity and threaten the well-being of people living in poverty, whose livelihoods depend more directly on genetic, species and ecosystem diversity. Therefore, strategies that mitigate the impacts of climate change and lead towards environmentally sustainable production systems will benefit the poor.

20. The outcome of the United Nations Conference on Sustainable Development (Rio+20) held in 2012 emphasizes the need to advance the integration of the social, economic and environmental dimensions of sustainable development and stresses the importance of poverty eradication, social inclusion and participation to the future of our planet. Member States agreed in Rio de Janeiro to launch a process to

[3] Armando Barrientos, "Social protection and poverty reduction", background paper commissioned for United Nations Research Institute for Social Development, *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* (Geneva, 2010).

[4] International Labour Organization, *Extending Social Security to All: A Guide through Challenges and Options* (Geneva, 2010).

establish a set of sustainable development goals that should be based on Agenda 21 and the Plan of Implementation of the World Summit on Sustainable Development (Johannesburg Plan of Implementation) and that would integrate, in a balanced way, the three dimensions of sustainable development. This process should be coherent with, and integrated in, the United Nations development agenda beyond 2015 and should not divert efforts from the achievement of the Millennium Development Goals.

21. Both Agenda 21 and the Johannesburg Plan of Implementation emphasize poverty eradication as a prerequisite for the effective achievement of sustainable development and promote a people-centred approach. However, the sustainable development goals should be based on a broader perspective of social development. The principle of equity, as well as issues of social inclusion and participation, must be at the heart of the envisioned goals and subsequent sustainable development strategies in order to ensure the social sustainability of the new development framework. Governments will also need to accelerate action at the national level in order to link efforts to advance social development with efforts to promote environmental protection and the transition to green economies, bearing in mind the already agreed international development goals, including the Millennium Development Goals and the commitments made at the World Summit.

22. Participation of all members of society in social, economic and political life is important to ensure that Governments respond to the needs of all, including the poor. Progress in access to social protection and social services will not succeed in eradicating poverty if it is not complemented by broader measures that address access to justice as well as to land, credit and other productive resources vital for empowering people. This will require, among other actions, public measures targeting discrimination against individuals and social groups.

B. The special needs of Africa and the least developed countries

23. Since the World Summit for Social Development, held in Copenhagen in 1995, African and least developed countries have successfully increased their pace of economic growth and some countries have also made progress on the social development front. The strong growth these countries have experienced over the last decade is of particular significance. After a prolonged period of poor economic performance and slow growth before 1990, several African countries have recorded some of the fastest rates of economic growth in the world. Similarly, in the least developed countries, GDP has grown by over 7 per cent in the last decade.[5] However, many countries have not been able to translate economic growth into better social development outcomes and decent jobs. In particular, many countries are struggling to reduce their levels of poverty and youth unemployment.

24. Recent World Bank estimates have indicated that the absolute number of people living on less than $1.25 a day in sub-Saharan Africa declined by 9 million between 2005 and 2008, from 395 million to 386 million.[6] This brought down the

[5] United Nations Conference on Trade and Development, *The Least Developed Countries Report 2011: The Potential Role of South-South Cooperation for Inclusive and Sustainable Development* (New York and Geneva, 2011).

[6] S. Chen and M. Ravallion, "An update to the World Bank's estimates of consumption poverty in the developing world", briefing note, Development Research Group, World Bank, 2012.

percentage of the population living on less than $1.25 a day from 52.3 per cent in 2005 to 47.5 per cent in 2008. However, with the exception of Cambodia, Ethiopia, Mauritania and Senegal, levels of extreme poverty have not fallen significantly in the 48 least developed countries worldwide.

25. In addition to tackling extreme poverty, African and least developed countries have made real gains in improving net primary school enrolment. Between 1999 and 2009, sub-Saharan Africa posted an 18-percentage-point gain in net enrolment ratios, with many of the greatest strides being made in some of the poorest countries including Burundi, Rwanda, Sao Tome and Principe, Togo and the United Republic of Tanzania. In spite of such real progress, at least two out of five children in primary school drop out before reaching the last primary school grade in half of the least developed countries. Furthermore, close to one fifth of primary-school-age chi'dren in the least developed countries are not in school.[7] When combined with limited success in expanding educational opportunities at the secondary-school level, these deficits further constrain the ability of these countries to compete in the global economy.

26. On the health front, African and least developed countries have made gains in reducing the mortality rate for children under age 5, improving containment of the spread of HIV and AIDS and immunizing children. However, despite these positive developments, large inequalities still persist among and within countries, resulting in unacceptably high maternal and child mortality rates in several countries. For instance, the proportion of children under age 5 who are underweight for their age still remains above 25 per cent in the least developed countries.

27. African and least developed countries also confront high levels of hunger. Owing to persistent food insecurity, one in every four persons in sub-Saharan Africa suffers from malnutrition. The severe drought that threatened millions of lives in the Horn of Africa in 2011 has been followed by yet another severe food crisis in the Sahel region of West Africa. While droughts and crop failure have been the immediate causes of these food security crises, their long-term causes remain inadequate investment in agriculture, particularly in smallholder agriculture. This lack of investment has been compounded by misguided policies, weak institutions and failing markets.[8]

28. In addition to natural calamities, the pace of social and economic progress in African countries and in the least developed countries also continues to be undermined by the ongoing effects of the global financial and economic crisis, food and energy price volatility and the adverse impact of climate change. In particular, the persistence of the sovereign debt crisis in the euro zone, as a continuation of the global financial and economic crisis, poses significant risk of another global recession that would negatively affect the economies of African and least developed countries. Specifically, the ongoing financial and economic crisis is adversely impacting the flow of foreign direct investment and official development assistance to African and least developed countries. Trade, in commodities and services that matter most to the financial stability of these countries, is also being negatively impacted. In addition, contracting demand in industrialized economies has contributed to slow growth and lack of job creation in commodity- and services-

[7] United Nations, *The Millennium Development Goals Report 2011* (New York, 2011).

[8] United Nations Development Programme, *Africa Human Development Report 2012: Towards a Food Secure Future* (New York, 2012).

dependent developing economies. Combined with the loss of remittances and huge food import bills for some poor countries, these developments could undermine the ability of African and least developed countries to raise sufficient resources for development and much-needed social spending.

29. Heads of State and Government gathered in Istanbul, Turkey, in May 2011 for the Fourth United Nations Conference on the Least Developed Countries, to renew and strengthen global partnerships for the development of poor developing countries. The meeting discussed specific challenges facing the least developed countries and adopted the Programme of Action for the Least Developed Countries for the Decade 2011-2020. The primary objective of the Programme of Action was to "overcome the structural challenges faced by least developed countries in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category" (A/CONF.219/3/Rev.1, para. 27).

C. Youth poverty and unemployment

30. Youth employment has been a persistent global challenge over the last decades. This challenge has been further aggravated by the global financial and economic crisis. Young people between 15 and 24 years of age are disproportionately affected by unemployment, and are overrepresented in the informal sector and among the working poor. Given that the social, economic and political costs of a prolonged youth unemployment crisis would be high, focusing special attention on youth at the policy level is an urgent priority both in developed and developing countries.

31. At the end of 2011, less than half (48.7 per cent) of young people globally were actively participating in the labour market and 74.8 million young workers (12.7 per cent) remained unemployed.[9] Furthermore, many countries have witnessed an increase in the number of discouraged young workers, who are not counted among the unemployed.[10] High levels of unemployment and discouragement represent a severe waste of human potential and can have drastic repercussions for the young people affected and for societies at large.

32. In many developing countries, the main challenge is not necessarily youth unemployment or inactivity but the deficit in decent work available to young people. In these countries, young people frequently need to rely on working in the informal sector or on earning income through own-account activities, without adequate pay or social protection and subject to poor working conditions. As a result, young workers are overrepresented among the working poor.

33. Given that early labour-market experiences are strong predictors of future earning potential, the trend towards increasing youth unemployment and deficits in decent work experienced by youth has long-term effects on their well-being and skills development. The trend undermines opportunities available to young people and can lead to their marginalization in society. Young women and young people

[9] International Labour Organization, *Global Employment Trends 2012: Preventing a Deeper Jobs Crisis* (Geneva, 2012).

[10] For additional data on youth unemployment and poverty, see the report of the Secretary-General on implementation of the Second United Nations Decade for the Eradication of Poverty (2008-2017) (A/67/180).

from disadvantaged social groups, such as indigenous peoples, ethnic minorities, disabled persons and migrants, are at a particular disadvantage in finding decent jobs, which further contributes to social exclusion and inequality.

I. Addressing the youth employment challenge

34. The youth employment crisis has exposed the urgent need for more effective policies and programmes to improve the quality and quantity of youth employment. Existing policies have fallen short in addressing the deficits in decent work and providing young workers with the protection and support which would empower them to fulfil their potential, overcome poverty and actively participate in, and contribute to, the economic and social development of their communities. There are, however, policy measures that have proven to be effective in creating more and better jobs for young people.

35. Policies aimed at addressing the structural causes of the lack of employment opportunities for young people have frequently focused on increasing their employability by improving their access to quality formal education, training programmes and self-employment measures, as well as reducing the mismatch between the skills acquired and those needed in the labour market. While training and intermediation services are important components of youth employment strategies, they have proven largely insufficient in producing the number of jobs needed and improving their quality.

36. To produce more and better employment opportunities for youth, macroeconomic policies must address the high labour-market segmentation as well as informal sector employment. In particular, countries must pursue policy measures that ensure a more equitable distribution of labour-market risks and benefits. They should also abolish policies that discriminate against hiring youth. Addressing youth poverty also entails dealing with the challenges facing the informal sector. Countries must foster long-term, competitive productive capacity and improve the income security and working conditions of informal workers. This can be done by expanding the coverage of social protection available to youth. These measures need to be further complemented by broader demand-side policies to expand decent work opportunities for youth.

37. Furthermore, in order to make the youth employment crisis a policy priority, Governments must boost aggregate demand in general and youth-oriented special programmes in particular. National action plans to foster youth employment can be useful, provided such plans are backed by strong political commitment and based on broad participation and the empowerment of young people. Engaging youth in social dialogue and establishing partnerships — between Governments, employer organizations, trade unions and the youth themselves — would be instrumental in determining the most appropriate action plans at the national and local levels.

D. Implementation of programmes related to social groups and social integration

38. Governments around the world are increasingly recognizing the importance of social integration to advancing social development and reducing poverty and inequality. Social integration fosters social cohesion and promotes stable and just societies, creating an enabling environment for empowerment and social progress.

The participation by all members of society in social, economic, political and cultural life is critical to ensuring that Government policies are responsive to the needs of society.

39. Progress in social integration has been achieved largely through the adoption of international plans of action, conventions and declarations that address the challenges various social groups face in overcoming social exclusion, poverty and disempowerment. All such instruments offer practical guidelines on ways of promoting social integration by improving the situations of social groups, including persons with disabilities, older persons, youth and indigenous peoples, and increasing their empowerment and participation in society.

40. One of the most notable achievements in the advancement of the rights of persons with disabilities was realized in 2006 with the adoption of the Convention on the Rights of Persons with Disabilities. The Convention clarified and qualified the ways in which all categories of rights apply to persons with disabilities and identified areas where adaptations have to be made to enable disabled persons to effectively exercise their rights, as well as areas where the protection of their rights needed to be reinforced. Further, in September 2013, the General Assembly will convene the High-level Meeting on Disability and Development, which will offer an opportunity to review development policy and practices from a disability perspective, strengthen commitment to ensuring the rights of persons with disabilities in development and further the inclusion and empowerment of persons with disabilities in emerging international development frameworks.

41. Given that persons with disabilities comprise more than 15 per cent of the global population, and are disproportionately represented among the world's poorest and most disempowered, the need for disability-inclusive development is urgent. Governments have both recognized this challenge and started to take steps to bridge the gap between political commitment and development practice, through improvements in legislation, adoption of national strategies and programmes that are inclusive of persons with disabilities and effective monitoring and evaluation of implementation. Other initiatives focus on specific areas, such as the participation and empowerment of persons with disabilities, improving the accessibility of physical environments and information and communications technologies, and the collection and application of data regarding persons with disabilities.

42. Ten years after the adoption of the Madrid International Plan of Action on Ageing, 2002, and in the framework of the upcoming second review and appraisal of its implementation at the fifty-first session of the Commission for Social Development in 2013, urgent action is needed to accelerate the implementation of the Plan of Action and promote the empowerment and participation of older persons. The global financial and economic crisis has led a number of Member States to cut social spending, which has affected the level of social protection provided to older persons. There is, therefore, a strong need to expand social protection coverage in order to tackle poverty among older persons, particularly in developing countries. Several other obstacles, including insufficient empowerment and participation of older persons in the political, economic, social and cultural domains, limited possibilities for education and training, and discrimination against and abuse of older persons, must be overcome in order to integrate older persons into society.

43. At the international level, renewed interest has been focused on the human rights and empowerment of older persons. The Open-ended Working Group on

Ageing, established by the General Assembly in 2010, has continued to hold discussions on strengthening the protection of the human rights of older persons. The European Year for Active Ageing and Solidarity between Generations in 2012 aims to raise awareness of active ageing at the regional level, focused especially on employment and participation in society.

44. The World Programme of Action for Youth, adopted in 1995, has been instrumental in guiding the formulation and implementation of national youth policies. The programme has identified several priority areas and parallel fields of action for addressing the most pressing concerns faced by young people, including improving levels of basic education, skills training, employment creation, and full and effective empowerment and participation of young people in society and decision-making. The United Nations High-level Meeting on Youth held in 2011 built on the 1995 World Programme of Action and called upon Governments, the United Nations system and all relevant stakeholders to effectively address the challenges faced by youth. In its resolution 65/312, the General Assembly adopted the outcome document of the meeting, which outlined 17 areas of action on youth issues, including specific measures for advancing inclusive job creation, skills development and vocational training designed for specific labour-market needs.

45. The upcoming twentieth anniversary of the International Year of the Family in 2014 offers an opportunity to strengthen national family-centred policies and programmes, particularly in the areas of family poverty reduction, work-family balance and intergenerational solidarity. Families remain primary agents for social integration and social protection, as well as for the overall educational, emotional and social development of their members. So far, national policies and programmes have focused on supporting the most vulnerable families (including large and single-parent households). Social protection has ranged from basic services and cash-transfer provisions to income-generating activities and assisting parents in balancing their work and family responsibilities. In order to improve current social policies and programmes, it is essential to promote family policy evaluation, review the challenges faced by families and share good practices in family policymaking.

46. Indigenous peoples, despite diverse geographical and cultural backgrounds, often experience similar forms of economic and social marginalization and discrimination and of limitation in their access to basic health care and education. The United Nations Declaration on the Rights of Indigenous Peoples, adopted in 2007, was an important step forward for the recognition, promotion and protection of the rights and freedoms of indigenous peoples. The Declaration emphasizes the importance of a human rights-based, culturally sensitive approach to indigenous peoples' issues. Socially inclusive policies for indigenous peoples should be based on respect for both their world view, perspective and experience, and their concept of well-being, participation and development. In order to honour the commitments contained in the Declaration, national institutions have formulated strategies on culturally sensitive social integration. Many indigenous peoples and communities have also established organizations at the local, national, regional and international levels to facilitate internal decision-making and to engage the State on various matters, including poverty eradication, participation and social inclusion.

47. Advancing social integration goes beyond group-specific mandates, however, and should be mainstreamed into overall policymaking. Economic and social policies must be aligned in order for the economic and social policy outcomes to

become mutually reinforcing. More focus is also needed in implementing policies that eliminate discrimination, particularly with regard to employment opportunities and access to decent work, improving the coverage and quality of education and health programmes, strengthening universal empowerment and participation, and expanding social protection. These efforts would not only advance social integration objectives but also contribute to reducing poverty and inequality.

III. Implementation of the outcome of the World Summit for Social Development: improving policy coherence and ensuring adequate financing for social development

A. Policy coherence

48. Policy coherence, particularly the alignment of economic and social policies towards a common set of social goals, is necessary to facilitate the implementation of the outcome of the World Summit for Social Development. Policies have indirect, often unintended, effects. Macroeconomic stabilization policies aimed at keeping inflation low and controlling fiscal deficits, for instance, have increased volatility in the real economy and in the labour market. The liberalization of international capital flows has further increased such volatility, destabilizing real exchange rates as well as the pace of productive investment, capital formation and employment creation. Emphasis on balancing public budgets has often resulted in declines in public investment in infrastructure, technology, health and education, all of which are critical to poverty reduction, social development and inclusive growth.

49. These inconsistencies have been exemplified by the policy responses of many developed countries to the impact of the recent global financial and economic crisis, namely, their move towards fiscal consolidation through tax increases and spending cuts, inter alia, in the social sectors. An analysis of the impact of fiscal consolidation programmes in developed countries in the last 30 years shows that consolidation reduces output and increases unemployment, at least in the short term. Cutting the deficit by 1 per cent of GDP typically reduces domestic demand by 1 per cent and GDP by 0.5 per cent within two years, and raises the unemployment rate by 0.3 percentage points.[11] While the impacts on short-term unemployment tend to be temporary, the rise in long-term unemployment often prevails beyond five years. Fiscal consolidation has stronger effects when it takes place in several countries simultaneously, as it becomes harder for each country to ease its impact through an increase in exports. In addition, consolidation tends to increase income inequality, as it brings about long-term declines in the share of wages in GDP, while profits continue growing or suffer short-term reductions only.[12] The current move towards fiscal consolidation indicates that the crisis is not being used as an opportunity to consider lessons from the past and review the inadequacy of existing macroeconomic frameworks.

---

[11] International Monetary Fund, *World Economic Outlook: Recovery, Risk, and Rebalancing* (Washington, D.C., 2010).

[12] Prakash Loungani, "Will it hurt? Who will it hurt: the macroeconomic and distributional effects of fiscal austerity", paper prepared for the United Nations Expert Group Meeting on the Challenge of Building Employment for a Sustainable Recovery, Geneva, 23 and 24 June 2011. Available from http://social.un.org/index/ExpertGroupMeetingsPanelDiscussions/2011/BuildingEmployment.aspx.

50. Improving policy coherence at the national level calls for the alignment of the macroeconomic policy framework with social objectives. In general, countries that have fared better through economic cycles, reducing the fluctuations in output, investment and employment, have been able to implement a set of countercyclical fiscal and monetary policies, increasing spending, including in the social sectors — that is, allowing fiscal deficits — during downturns, strengthening the regulation of capital flows and managing exchange rate volatility.

51. Countries in which Governments have implemented complementary policies in the economic and social sectors, promoting industrial development and investing heavily in infrastructural development as well as in social protection and social services, have experienced rapid declines in poverty. Closing the infrastructure gap, in particular, can have a substantial impact on the incomes of the poor. In addition to having a direct impact on poverty, investments in physical and human capital increase productivity in the private sector and can also help expand the domestic resource base, thereby increasing the policy space available for macroeconomic policy. Similarly, a more equitable distribution of incomes and opportunities can be a stimulus to economic growth and thereby generate additional opportunities and fund further investments in human and physical capital.

52. Each set of policies, be it related to labour market performance, employment, social protection, agricultural development or some other area, requires coordination across Government ministries and policy areas. Promoting such coordination and mutually reinforcing policy action across ministries and Government agencies in support of broad objectives such as poverty eradication is, however, a challenging task, as multiple policy goals must often be pursued in parallel and conflicting demands balanced. A review of good practices in improving policy coherence shows the importance of political commitment to a given policy objective at the highest level, the need for a strategic policy framework to help ensure consistency and good information and analysis, as well as transparent decision-making.[13] Having strong public institutions monitoring and evaluating policy implementation is also crucial to the effective implementation of policies in the economic and social sectors.

53. Finally, improving policy coherence requires a favourable international policy environment, including through mutually reinforcing policies in trade, investment, agriculture, taxation, migration and other economic, social and environmental issues, as well as effective global governance. Governments in developed countries, in particular, must ensure that their policies — beyond aid — are supportive of, or at least do not undermine, socially, economically and environmentally sustainable policies in developing countries.

54. However, there is more than one path towards greater policy coherence. Any global governance system must provide ample room for countries to choose and implement local solutions to local problems. In particular, its dictates should not undermine developing countries' fiscal space to finance public policies in a sustainable way or their policy space, including their ability to implement countercyclical measures in response to external shocks.

[13] See, among others, Organization for Economic Cooperation and Development, *Better Policies for Development. Recommendations for Policy Coherence* (2011) and "Policy coherence for development: lessons learned", *OECD Policy Brief*, December 2008.

55. While concrete policy targets may vary depending on each country's level of development and structure of the economy, it is clear that macroeconomic policy frameworks should support both social development and an expansion of economic opportunities. Social development will not lead to any significant reduction in poverty and inequality if human capital resulting from social development programmes cannot be used for productive employment and decent work.

B. Financing of social development

56. It is now widely agreed that efforts to eradicate poverty, create jobs and promote sustained and inclusive growth are nationally owned endeavours. Greater domestic resource-mobilization efforts give countries the fiscal space that is necessary for expanding public spending on social sectors. They also enhance the capacity of countries to build more resilient economies. Furthermore, a greater reliance on domestic resources protects countries from the sudden shocks and uncertainties posed by fluctuations in export revenues, official development assistance flows and international financial flows, including foreign direct investment.

1. Enhancing domestic resource mobilization

57. Effective mobilization of domestic resources means that countries need to address a number of structural deficiencies and bottlenecks to social development through governance reforms and prudent macroeconomic management. This includes taking concrete steps to improve the management of revenues emanating from commodities such as hydrocarbons, minerals and timber, as well as more effective, fairer taxation policies (see A/66/329).[14] The impact of these resources on social development is greatest when they are invested in areas that strengthen human capital formation (education and health), create decent jobs, enhance food and nutrition security, protect the environment and effectively deliver public goods and services to those disadvantaged as a result of social exclusion, gender, age, geographical location or conflict. Tax-collection efforts should be supported by appropriate tax policies, modernized, transparent and equitable tax systems, effective tax administration, broadening of the tax base and combating tax evasion. Addressing tax evasion among small and large companies, as well as ensuring that small and medium-sized enterprises pay their fair share of taxes, will further enlarge the fiscal space of most countries. High levels of tax evasion undermine productivity growth by preventing Governments from investing in education, health and infrastructure. Therefore, developing countries should step up fiscal and tax-reform efforts, in addition to enhanced international tax cooperation.

58. In addition, countries need to prioritize social protection financing for building up and improving basic social protection floors. In its report, the Social Protection Floor Advisory Group[15] noted that national social protection floors were a social

[14] African Development Bank, Development Centre of the Organization for Economic Cooperation and Development, United Nations Economic Commission for Africa and African, Caribbean and Pacific Group of States, *African Economic Outlook 2010: Public Resource Mobilisation and Aid* (OECD and African Development Bank, 2010).

[15] International Labour Organization, *Social Protection Floor for a Fair and Inclusive Globalization* (Geneva, 2011).

and economic necessity and that their progressive implementation in most countries was affordable and feasible. There is also a growing body of evidence from the developing world of the successful implementation of basic social security packages.

59. Moreover, strengthening financial inclusion and the role of cooperatives can help channel domestic financial resources into social development. Financial inclusion, understood as universal access to a wide range of financial services, is seen as a means of helping to reduce poverty and meeting other social development objectives. It represents a broader concept than microcredit, in that it includes a range of financial services such as savings, payments and insurance, as well as credit. Inclusive finance strives to enhance access to financial services for both individuals and small and medium-sized enterprises. Financial and agricultural cooperatives facilitate access to financing in different contexts around the world, often in conjunction with social objectives.

2. Finding the balance between domestic and external resources

60. In several countries, efforts have been under way to seek a balance between a combination of domestic and external resources that would best finance social development in a sustainable way. In large part, this has been influenced by the risks related to the sustainability of external financing over time, dependency on such sources and subsequent questions about domestic ownership of national programmes. Furthermore, donors have been increasingly emphasizing concrete results. This has implied that interventions focus on immediate, short-term results. However, such interventions have not always been appropriate given disparate national contexts. There has also been expectation on the part of donors that recipient countries provide a domestic counterpart. These dynamics have increased the primacy of domestic resources for the financing of social development.

61. However, while domestic resources are less volatile, in many cases they are not enough to meet the needs of most poor countries. Hence, countries and their development partners should explore ways to better leverage official development assistance for social development and to scale up existing mechanisms to extend them in support of Millennium Development Goals such as those related to education, food security and poverty eradication. Additional international resources are required to help countries adapt to, and mitigate, the ongoing effects of climate change, empower people, build a safer and more secure world, and support countries in transition as well as those affected by natural disasters.

62. To date, official development assistance has increased to a record $129 billion, but continues to fall short of commitments (see A/66/126). Moreover, aid delivery has been procyclical and volatile. At the same time, the world financial and economic crisis has negatively affected future aid prospects. According to a recent Organization for Economic Cooperation and Development survey, country programmable aid will grow at 2 per cent per year between 2011 and 2013, compared to the average of 8 per cent per year between 2008 and 2010.[16] Greater efforts are therefore required to ensure that developed countries fulfil their commitment to allocate 0.7 per cent of their GNP to overall official development

[16] United Nations, *World Economic Situation and Prospects* (United Nations publication, Sales No. E.12.II.C.2).

assistance, including between 0.15 per cent and 0.2 per cent to least developed countries. Implementing aid pledges, such as those contained in the New Alliance on Food Security and Nutrition that was announced at the Group of Eight (G8) Camp David Summit in 2012, is important to ensuring that developing countries attain food security and are better equipped to fight extreme poverty, hunger and malnutrition. This initiative continues the momentum which started with G8 commitments to global agricultural development made at the 2009 meeting in L'Aquila, Italy.

63. Additional efforts should be made to enhance the contribution of foreign direct investment to social development efforts, as it remains a major component of private capital flows to developing countries and is estimated to have amounted to over $300 billion in 2010 (see A/66/329). Foreign direct investment might spur social development in various ways, including through investing in social sectors such as education, health, clean drinking water, sanitation and energy, supporting linkages to local industries and markets, enhancing local enterprise development and bringing in corporate social responsibility.

64. Migrant workers' remittances have grown considerably during the past decade, reflecting an increase in international migration and better measurement of remittances. Officially recorded remittances to developing countries totalled $372 billion in 2011, representing an increase of 12 per cent over 2010.[17] This highlights the increasingly important role of diaspora communities as providers of external financing. Much of the funding received through remittances is spent by households on food, housing, health and education, all areas of concern for social development. Greater efforts need to be made by both host and home countries to tap the economic potential of diasporas, including through providing an enabling legal, regulatory and institutional environment to encourage investment in the host and home countries and reducing remittance costs.

65. International trade can serve as an engine for social development, mainly through job creation in formal sectors, enhancing domestic productive capacities in global value chains and skills upgrading. Short-term adjustment measures, such as support of in-job learning and skills upgrading, and long-term policies that include unemployment benefits and support of science, technology and language skills in formal and informal education, can help minimize potentially adverse effects of a transition towards a more liberalized trade regime and cushion against reduced trade revenues in times of global crisis.

66. International debt relief efforts, such as the Heavily Indebted Poor Countries Initiative, have reduced the debt burden of poor countries. Despite remaining challenges, this initiative has enhanced the fiscal space for pursuing poverty-reducing social policies in the countries concerned. However, the absence of an efficient, fair debt-restructuring mechanism makes resolving debt problems an arduous, prolonged and costly process, often with serious social implications.

[17] World Bank, "Remittance flows in 2011 — an update", *Migration and Development Brief No. 18*, Migration and Remittances Unit, 23 April 2012.

IV. Recommendations

67. In order to accelerate progress towards the implementation of the outcome of the World Summit for Social Development and other social development goals and to ensure that the recovery from the global crises will be sustainable, the General Assembly may wish to consider the following recommendations:

(a) **The central objective of macroeconomic and social policies should be the creation of productive employment and decent work, since decent employment opportunities are the main way out of poverty and the main means towards inclusive, equitable and sustained economic growth. In this regard, countries should be encouraged to accelerate efforts and devote additional resources to creating employment opportunities for groups that suffer disproportionately from the lack of productive employment and decent work;**

(b) **Governments should consider implementing a social protection floor, consistent with national priorities and circumstances, given the importance of universal access to social protection to break the cycle of poverty and reduce inequality. Governments should consider extending the scope of social protection programmes, where these do exist, in order to make the recovery sustainable and future economic growth more inclusive and equitable;**

(c) **Greater efforts should be made to scale up investments in education, health, agriculture and infrastructure, as well as to strengthen leadership, governance and institutions, in order to enable Africa and the least developed countries to sustain positive growth trends, including consolidating further the gains already made in a number of areas;**

(d) **Continued and more practical efforts are required to address the domestic financing gaps faced by many developing countries if these countries are to sustainably finance their own social and economic development. Prioritizing and scaling up efforts to mobilize domestic resources should continue to be complemented by official development assistance commitments already made by developed countries;**

(e) **Special attention should be paid to promoting the participation and empowerment of all members of society in sustainable poverty-reduction efforts. Hence, Governments should be encouraged to address society-wide patterns of inequality, discrimination and exclusion and to take measures to empower all segments of society to participate in decision-making processes, with a particular focus on disadvantaged groups, including women, youth, older persons, indigenous peoples and persons with disabilities.**